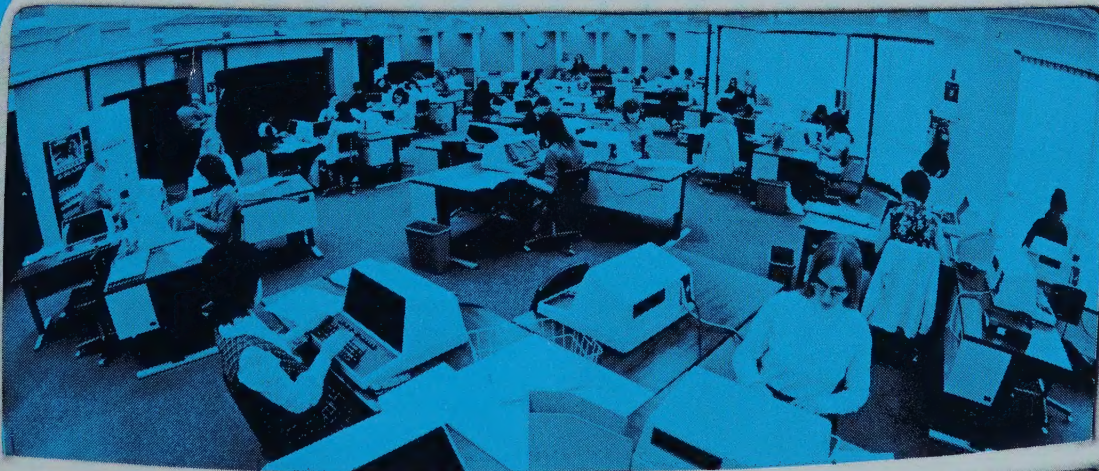


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On the Cover

Insurance Corporation of British Columbia's
KEY-EDIT® 1000 installation is reflected in a
Consolidated Computer Inc. data entry terminal.

KEY-EDIT® is a registered trademark
of Consolidated Computer Inc.

Report to Shareholders

Your Directors are pleased to report continued growth in the development, manufacturing and marketing of the KEY-EDIT family of data entry products during the fiscal year ended December 31, 1974.

Financial Results

Net sales, rentals and services for the year ended December 31, 1974, were \$15,395,000., an increase of 27.7% over the previous year, for which total revenues were \$12,056,000. The loss for the year was \$5,496,000., compared to \$2,571,000., in 1973.

Cost of sales continued to be high as a direct result of the rapid expansion of our Ottawa manufacturing facilities. While our sales increase for the year was 27.7%, factory dollar output in the fourth quarter was 96.7% above that of the first quarter. The cost of achieving this growth was expensed as incurred.

In recent years, most of our production has been sold to three large distributors who had marketing rights for our products in most countries around the world, except Canada and the United States. CCI's sales and service organization has been functioning in twenty-two cities in North America. However, only KEY-EDIT 100 Systems that had been manufactured prior to 1972, were being leased in North America until May of 1974.

In 1974, the Company received financial commitments which gave it the resources to begin marketing and leasing its new KEY-EDIT Systems in North America. Financial arrangements are now being established to handle the lease financing in Canada and the United States. When this is completed, new systems will be purchased from CCI and leased to our customers. CCI will therefore be able to record the resultant sales price and profit in its statement of income.

During 1974, the Company announced the new KEY-EDIT 50 and KEY-EDIT 1000 Systems in North America. A number of major organizations ordered and installed the systems. However, because the new financing arrangements are not yet completed, we have not shown the systems installations as sales but have only reported rental income in 1974. The equivalent purchase price would have been \$1.9 million, which would have yielded an additional \$900,000. of net income had the North American installations been treated as outright sales. All related marketing and service expenses have been written off as incurred.

Marketing expenses increased from \$228,000. for the first quarter to \$544,000. in the last

quarter, as we expanded the North American sales organization. As a result of this expansion, sales are continuing to grow. During the first quarter of 1975, North American sales were \$1.9 million, equalling the total for all of 1974.

The Company's re-entry into the North American marketplace has had an initial adverse effect on current financial results as predicted in our 1974 Quarterly Reports. Nonetheless, it was an important move to make because of the future stability that a larger base of customers will provide. In addition, the profits from direct marketing in the computer industry are significantly higher than marketing only through distributors, which has characterized the Company's business in the past three years.

Financing

During the year, the Company arranged bank financing totalling \$3,000,000. to finance inventories, accounts receivable, plant development and demonstration equipment. The Canadian Government through its agency, the General Adjustment Assistance Board and the Ontario Government through the Ontario Development Corporation, jointly undertook to guarantee this amount of \$3,000,000. These federal and provincial agencies have further assisted the Company with short term loans, repayable on demand, to the extent of \$8,500,000. In the next few weeks, the Company expects to complete the arrangements necessary to finance sales for \$30,000,000. of KEY-EDIT Systems. We believe that the financing will be sufficient to finance new systems orders through most of 1976.

Operations

The major development of the new KEY-EDIT 50 and 1000 Systems was completed in the year under review. In the last quarter of the year, the Company produced 115 systems compared with 52 systems in the first quarter. These systems were delivered to North American and overseas customers. As a result of the build-up in marketing and manufacturing staff, the total number of employees in the Company expanded from 485 in the beginning of the year to 656 by the end of the year.

During 1974, Consolidated Computer Inc. signed a co-operative technical exchange agreement with Fujitsu Ltd., Japan's largest computer manufacturer. This agreement will provide CCI with all relevant manufacturing and engineering technology which Fujitsu has developed in recent years. The effect has been to give CCI access to a level of manufacturing and engineering technology which compares favourably with the world's largest computer companies.

North American installations of the new KEY-EDIT 50 and KEY-EDIT 1000 Systems began early in 1974, and by year-end, systems had been installed in many of the twenty-two cities in Canada and the United States where CCI has sales and service personnel.

The North American direct marketing programme is being supported by advertising and trade show activity in Canada and the United States, with good results. We have received awards for our advertising programmes and our trade show displays. These awards have been based upon promotional effectiveness, as measured by market response and costs incurred.

Overseas sales recorded another year of growth. The Company experienced a significant increase in demand for KEY-EDIT 50 Systems from its three large overseas customers: International Computers Limited in the United Kingdom, Fujitsu Limited in Japan and Ecodata Comercio e Industria Ltda., in Brazil. These companies market, install and service KEY-EDIT systems around the world, excluding North America. During the year, we delivered 205 systems to these companies, compared with 72 in 1973.

In 1975, we commenced full production of the first general purpose Canadian designed mini-computer, the CCI SL-2. The SL-2 is installed in the KEY-EDIT 50 system. By year end, we were producing twenty-five SL-2 mini-computers per month, and this subsequently increased to forty-five per month by March of 1975. In April, 1975, CCI announced the KEY-EDIT 60 System in North America. This new system is larger than the KEY-EDIT 50 System and provides a substantial increase in power and software capability for our customers. It is also controlled by the SL-2 computer.

Summary

Despite the softening of world economic conditions, we look to the future with confidence, as our sales continue to expand. Computer technology is changing rapidly and it is causing substantial growth in computer terminals, "mini" and "micro" computers and data entry software. The Management Information Corporation, a leading consulting company in the United States, recently called the KEY-EDIT 50 System "the most sophisticated and cost-effective key-to-disk (4-8 stations) system in its class". CCI is continuing its aggressive product research and development programme to maintain this leadership in our rapidly growing segment of the computer industry.

Mr. E. S. Miles, a Director of the Company for several years, resigned in September, 1974. The Company would like to record its gratitude for his dedication and valuable advice.

In his place, Mr. George Fierheller, President of Systems Dimensions Limited of Ottawa, has been elected to the Board. Mr. Fierheller's broad experience in systems data processing will be of immeasurable value to the Company.

The dedication and support that employees have given the Company during the year has been outstanding. The Directors wish to thank them and all our Shareholders for their continued encouragement and confidence in the Company.

On behalf of the Board



W. V. Moore
Chairman



William G. Hutchison
President

Year at a Glance

	1974	1973
Net sales, rentals and service	\$15,395,000	\$12,056,000
Loss for the year	\$ 5,496,000	\$ 2,571,000
Loss per share	\$ 1.43	.67¢
Shares outstanding (average)	3,853,000	3,823,000

One of the world's largest KEY-EDIT 50 System installations is to be found at Prodesp-CIA. de Processamento de Dados do Estado de Sao Paulo, Brazil where ten central processing units and 160 key data terminals have increased productivity up to 40%.



Consolidated Balance Sheet

as at December 31, 1974

Assets	1974	1973
	\$	\$
Current assets		
Cash and term deposits	232,973	650,502
Accounts receivable –		
Trade	2,499,470	1,352,592
Other	605,851	627,746
Notes receivable – trade (note 2)	1,844,044	169,332
Inventories (note 3)	8,372,775	4,188,836
Prepaid expenses	107,125	76,500
	<u>13,662,238</u>	<u>7,065,508</u>
Notes receivable – trade (note 2)	<u>3,166,218</u>	<u>338,664</u>
Fixed assets (note 4)		
Plant, development and demonstration equipment	2,546,260	1,302,249
KEY-EDIT 100 equipment on lease	1,899,149	2,157,554
KEY-EDIT 50 and 1000 equipment on lease	1,254,013	—
KEY-EDIT 50 and 1000 equipment in transit	589,428	—
Furniture, fixtures and leasehold improvements	772,666	562,864
	<u>7,061,516</u>	<u>4,022,667</u>
Less: Accumulated depreciation	<u>2,182,048</u>	<u>1,391,517</u>
	<u>4,879,468</u>	<u>2,631,150</u>
	<u>21,707,924</u>	<u>10,035,322</u>

On behalf of the Board



W. V. Moore
Director



W. G. Hutchison
Director

Liabilities

	1974	1973
	\$	\$
Current liabilities		
Bank loans (note 5)	4,300,000	1,650,000
Accounts payable and accrued liabilities	3,239,033	3,305,578
Notes payable (note 2)	1,844,044	169,332
Demand loans (note 6)	10,291,165	—
Taxes payable	83,293	122,828
Current portion of long-term debt	2,444,000	100,000
	<u>22,201,535</u>	<u>5,347,738</u>
Long-term debt, less current portion (note 7)	6,966,976	9,389,882
Notes payable (note 2)	3,166,218	338,664
Deferred credit	60,000	150,000
	<u>32,394,729</u>	<u>15,226,284</u>
 Deficit less capital stock		
Deficit (note 9)	12,521,145	7,025,302
Capital stock (note 8)		
Special shares	1,745,042	1,745,042
Common shares	89,298	89,298
	<u>1,834,340</u>	<u>1,834,340</u>
	<u>10,686,805</u>	<u>5,190,962</u>
	<u>21,707,924</u>	<u>10,035,322</u>

Consolidated Statement of Operations

for the year ended December 31, 1974

	1974	1973
	\$	\$
Net sales, rentals and services	15,394,959	12,055,527
Cost of sales and services	13,825,713	9,684,639
	<u>1,569,246</u>	<u>2,370,888</u>
Expenses		
Marketing, administration and other	5,411,603	3,822,462
Research and development – net of government grants	633,913	919,183
Interest on long-term debt	217,530	171,712
Interest on short-term borrowings (net)	802,043	28,273
	<u>7,065,089</u>	<u>4,941,630</u>
Loss for the year	<u>5,495,843</u>	<u>2,570,742</u>
Average number of common and special shares outstanding	<u>3,853,171</u>	<u>3,822,952</u>
Loss per share (note 10)	<u>\$1.43</u>	<u>.67¢</u>

Consolidated Statement of Deficit

for the year ended December 31, 1974

	1974	1973
	\$	\$
Deficit – beginning of year	7,025,302	4,655,546
Loss for the year	5,495,843	2,570,742
Provision for costs of receivership and reorganization (reorganization was completed in 1972)	—	(200,986)
	<u>5,495,843</u>	<u>2,369,756</u>
Deficit – end of year	<u>12,521,145</u>	<u>7,025,302</u>

Consolidated Statement of Changes in Working Capital

for the year ended December 31, 1974

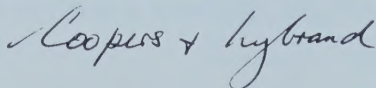
	1974	1973
	\$	\$
Working capital was increased by:		
Deferred credit	—	150,000
Provision for costs of receivership and reorganization – transferred to deficit	—	200,986
Increase in long-term debt	—	1,900,000
Long-term notes payable (note 2)	2,827,554	338,664
Sale of shares	—	75,718
	<u>2,827,554</u>	<u>2,665,368</u>
Working capital was decreased by:		
Loss for the year	5,495,843	2,570,742
Items not affecting working capital – Depreciation	(1,009,132)	(875,017)
Deferred credit amortization	90,000	—
	<u>4,576,711</u>	<u>1,695,725</u>
Long-term notes receivable (note 2)	2,827,554	338,664
Increase (net) in fixed assets	3,336,356	882,500
Current portion of long-term debt (note 7)	2,344,000	72,466
Repayment of long-term debt	—	800,000
	<u>13,084,621</u>	<u>3,789,355</u>
Decrease in working capital	10,257,067	1,123,987
Working capital – beginning of year	1,717,770	2,841,757
Working capital (deficiency) – end of year	<u>(8,539,297)</u>	<u>1,717,770</u>

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Consolidated Computer Inc. as at December 31, 1974 and the consolidated statements of operations, deficit and changes in working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Subject to the company completing the lease financing described in note 14 or arranging some other form of financing to meet its obligations, in our opinion these consolidated financial statements

present fairly the financial position of the companies as at December 31, 1974 and the results of their operations and the changes in their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Chartered Accountants
March 24, 1975

Notes to Consolidated Financial Statement

for the year ended December 31, 1974

1. Principles of consolidation

The consolidated financial statements include CC Consolidated Computer International, Inc., the wholly-owned United States subsidiary and the non-operating United Kingdom subsidiary.

2. Notes Receivable

The notes are receivable over a period of 36 months and are insured by the Export Development Corporation. The company has an agreement with its bankers to finance these notes in equal amounts and on the same terms, to a maximum of \$10,000,000. The bank's loans are secured by a collateral floating charge debenture and a pledge and assignment of the notes receivable.

3. Inventories

	1974	1973
	\$	\$
Parts and components for:		
Manufacturing, including work in process (1974 - \$900,040)	7,302,702	3,533,852
Repair, overhaul and field service	1,070,073	654,984
	<u>8,372,775</u>	<u>4,188,836</u>

Inventories are valued at the lower of cost and net realizable value.

Under an inventory purchase agreement an Ontario government agency is purchasing certain inventory components from the company. The company is obligated to repurchase these inventory components at such times as they are shipped to its customers. The value of that inventory at December 31, which is not included in these financial statements, is \$842,062 (1973 - \$1,077,865).

4. Fixed assets

	1974			1973
	Valuation (see (a) below)	Accumulated depreciation	Net	Net
	\$	\$	\$	\$
Plant, development and demonstration equipment	2,546,260	613,578	1,932,682	1,039,804
KEY-EDIT 100 equipment on lease	1,899,149	1,383,077	516,072	1,091,239
KEY-EDIT 50 and 1000 equipment on lease	1,254,013	42,182	1,211,831	—
KEY-EDIT 50 and 1000 equipment in transit	589,428	—	589,428	—
Furniture, fixtures and leasehold improvements	772,666	143,211	629,455	500,107
	<u>7,061,516</u>	<u>2,182,048</u>	<u>4,879,468</u>	<u>2,631,150</u>

(a) Fixed assets are valued at cost except for KEY-EDIT 100 equipment assembled before December 31, 1971 which is valued at the then estimated fair market value.

(b) Depreciation is recorded generally on the straight-line basis over the estimated service lives of the assets which, in respect of KEY-EDIT equipment is estimated to be five years.

5. Bank loans

The bank loans are secured by a pledge and assignment of book debts, inventories and a \$3,000,000 floating charge debenture.

6. Demand loans

Principal amount	Interest	Security
\$	%	
7,000,000	8	First floating charge debenture subordinate to the \$3,000,000 floating charge debenture, the assignments of book debts, notes receivable, inventories, chattel mortgages and lease revenues on the KEY-EDIT 50 and 1000 systems
1,791,165	11¼	Chattel mortgages on certain KEY-EDIT 50 and 1000 systems on lease in North America and assignment of the lease revenues
500,000	6¼	Promissory note
1,000,000	11¼	Promissory note (see note 15(a) and (c))
<u>10,291,165</u>		

7. Long-term debt

Principal amount		Interest (see (B) below)	Description	Security (see (A) below)	Maturity	Conversion feature
1974	1973					
\$	\$				\$	
<u>1,400,000</u>	<u>1,400,000</u>	7 7/16%	Debenture	Floating charge debenture	1975-500,000 1976-400,000 1977-300,000 1978-200,000	None
		None	Secured Debenture Series Two	Floating charge debenture subordinate to \$1,400,000 debenture	1975-600,000 1976-200,000	None
<u>800,000</u>	<u>800,000</u>					
			Junior Secured Convertible Debentures Series A	Floating charge debenture subordinate to \$1,400,000 debenture and \$800,000 secured debenture, Series Two	20% per annum of principal amount outstanding on December 31, 1976 commencing December 31, 1976	\$5 per common share until December 30, 1975
<u>500,000</u>	<u>500,000</u>	9% after December 31, 1975				
<u>1,883,628</u>	<u>1,962,534</u>	Prime + ½%	Series B	Floating charge debenture subordinate to \$1,400,000 debenture, \$800,000 secured debenture, Series Two and \$500,000 Junior Secured Convertible Debentures, Series A	\$300,000 per year to December 31, 1975 and the balance December 31, 1976. These repayments will be reduced by the annual amounts of interest paid. The estimated amount repayable against principal at December 31, 1975 is \$100,000.	\$5 per common share until December 30, 1975
<u>2,383,628</u>	<u>2,462,534</u>					
			Convertible notes Series One	None	1975-700,000 1976-200,000 1977-200,000 1978-100,000	\$5 per non-voting convertible special share until December 30, 1975
<u>1,200,000</u>	<u>1,200,000</u>	9% after December 31, 1975				
<u>3,627,348</u>	<u>3,627,348</u>	9% after December 31, 1975	Series Two		15% per annum of principal amount outstanding on December 31, 1975 payable on December 31 of each year from 1975-1980 and the balance on December 31, 1981	\$5 per non-voting convertible special share until December 30, 1975
<u>4,827,348</u>	<u>4,827,348</u>					
<u>9,410,976</u>	<u>9,489,882</u>					
<u>2,444,000</u>	<u>100,000</u>	Current portion				
<u>6,966,976</u>	<u>9,389,882</u>					

7. Long-term debt (continued)

(A) All floating charges are subordinate to the \$3,000,000 floating charge debenture and the \$7,000,000 first floating charge debenture and assignments of book debts, notes receivable, inventories, chattel mortgages and lease revenues on the KEY-EDIT 50 and 1000 systems.

(B) In the event of default of repayment of principal on any of the above non-interest bearing debt, interest begins to accrue at 9% per annum.

(C) Under the terms of various debentures, indentures and loan agreements the company:

(a) must maintain consolidated working capital of \$2,250,000 (the company has received waivers of this requirement through March 1975).

(b) must meet at least two of the three following conditions:

(i) The sum of acceptable receivables, firm orders to be invoiced within thirty days and cash balances of the company will be not less than \$500,000;

(ii) The sum of acceptable receivables, firm orders to be invoiced within sixty days and cash balances of the company will be not less than \$800,000; or

(iii) The sum of acceptable receivables, firm orders to be invoiced within ninety days and cash balances of the company will be not less than \$1,100,000.

(c) may not exceed specified aggregate amounts of capital expenditures and lease commitments in any one year.

(d) may not declare or pay any dividends or make any other distributions to its shareholders or acquire or otherwise redeem any shares of its capital stock or make any pre-payments (other than mandatory pre-payments) on any junior debt.

8. Capital stock

	Common shares of no par value		Special shares without par value	
	Shares	\$	Shares	\$
Authorized	3,550,000		2,250,000	
Issued and fully paid	2,631,122	89,298	1,222,049	1,745,042

The non-voting convertible special shares are preferred as to the first 10¢ per share dividend declared in any one year; thereafter the common shares are entitled to the next 10¢ of dividend in any one year; and thereafter in any one year the two classes of shares participate equally in dividends declared.

From the earlier of (a) December 31, 1975 and (b) a date that the company shall designate in writing to the registrar for the non-voting special shares, the holders of non-voting special shares shall be entitled to convert any or all of the non-voting special shares held by them into common shares of the company on a share-for-share basis.

The following shares have been reserved for the conversion of debentures and the exercise of stock options:

	Common	Special
Junior secured convertible debentures –		
Series A	100,000	—
Series B	392,500	—
Convertible notes –		
Series One	—	240,000
Series Two	—	725,470
Reserved for options to employees exercisable at various times to January 14, 1978 at option prices ranging from \$1.35 to \$2.54 per share	237,780	—
	<u>730,280</u>	<u>965,470</u>

Under the terms of the Junior Secured Debenture Indenture and Convertible Note Indenture the company has covenanted that, other than for the purpose of making available, whenever the special shares become convertible into common shares, sufficient authorized common shares for the purpose of providing for such conversion, it will not increase its authorized capital prior to December 31, 1975 without the prior approval of the holders of the junior secured debentures and convertible notes.

9. Income taxes

At December 31, 1974, the parent company and its U.S. subsidiary had approximately \$20,000,000 of losses carried forward (including approximately \$5,600,000 of excess capital cost allowances) which can be applied against future profits to reduce income taxes.

As such losses, other than those which relate to the excess capital cost allowances, may be carried forward for a maximum of five years, the following amounts must be utilized within the years noted: 1975 – approximately \$2,600,000, 1976 – approximately \$3,200,000.

10. Loss per share

No dilution has been calculated as the effect would be to reduce the loss per share.

11. Conversion of foreign currency

Current assets and current liabilities in foreign currencies have been converted to Canadian funds at approximately the year-end rates of exchange. No significant profit or loss resulted from this conversion.

12. Remuneration of directors and senior officers

Total remuneration paid to directors and senior officers as defined by the Business Corporations Act for the year was \$339,095.

13. Lease commitments

Total rentals paid for the year ended December 31, 1974 and the approximate total of future commitments (excluding tax and similar expenses) are:

	\$
Year ended December 31, 1974	446,742
January 1, 1975 to December 31, 1979	2,064,000
January 1, 1980 to May 31, 1981	330,000

14. Lease financing

The company is negotiating a \$30,000,000 lease financing arrangement for the purpose of financing sales of KEY-EDIT 50, 60 and 1000 systems in Canada and the U.S.A. during the years 1975 and 1976.

15. Subsequent events

Subsequent to the year-end, in anticipation of completion of the lease financing arrangement described in note 14, the company completed the following transactions:

- (a) on January 21, 1975 borrowed \$1,000,000 from its bankers on a demand loan basis, secured by a pledge and assignment of book debts and inventories. \$500,000 of this loan was used as a partial repayment of the \$1,000,000 demand loan outstanding at December 31, 1974 (see note 6);
- (b) borrowed in February, 1975 \$740,000 from a federal government agency against a promissory note payable on demand;
- (c) pledged certain KEY-EDIT 50 and 1000 systems on lease in North America and assigned the payments due under the leases as security for the unpaid balance of \$500,000 of the demand loan referred to in (a) above, and the \$740,000 demand loan referred to in (b) above;
- (d) borrowed \$1,000,000 from a U.S. bank in the form of a promissory note, repayable at the earlier of the completion of the lease financing arrangement or June 30, 1975;
- (e) negotiated a \$4,000,000 interim line of credit with its bankers, repayable at the earlier of the completion of the lease financing arrangement or June 30, 1975.

Directors	W. V. Moore D. G. Kilgour W. G. Hutchison G. H. Bennett J. H. Tory D. C. Early G. A. Fierheller	President, Corporate Master Limited Partner, Kilgour, World, Flood & Ronson President, Consolidated Computer Inc. Senior Vice-President, Marketing and Business Development, Consolidated Computer Inc. Partner, Tory, Tory, Des Lauriers & Binnington Greenshields Inc. President, Systems Dimensions Limited
Officers of the Company	W. V. Moore W. G. Hutchison G. H. Bennett W. H. C. Kooij Q. E. Correll R. T. De Bosko J. van Velzen D. G. Kilgour	Chairman of the Board President Senior Vice-President, Marketing and Business Development Vice-President, Advance Planning Vice-President, Research and Development Vice-President, Manufacturing Director of Finance and Treasurer Secretary
Registrar and Transfer Agent	Royal Trust Company	
Bankers	The Toronto-Dominion Bank	
Auditors	Coopers & Lybrand	
Solicitors	Kilgour, World, Flood & Ronson	
Offices and Plant	Head Office - Canada 50 Gervais Dr. Toronto, Ont. M3C 1Z3 Manufacturing Plant 2421 Lancaster Rd. Ottawa, Ont. K1B 4L5	Home Office - U.S.A. 275 Wyman St. Waltham, Mass. 02154
Sales and Service Locations	Canada Quebec City, P.Q. Montreal, P.Q. Ottawa, Ont. Toronto, Ont. London, Ont. Winnipeg, Man. Regina, Sask. Vancouver, B.C.	U.S.A. Boston, Mass. Hartford, Conn. Philadelphia, Pa. Harrisburg, Pa. Washington, D.C. Columbus, Ohio Cleveland/Akron, Ohio Springfield, Ill. Atlanta/Macon, Ga. San Francisco, Cal.

CONSOLIDATED COMPUTER INC.
CONSOLIDATED STATEMENT OF CHANGES IN
WORKING CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 1974
(Unaudited)

	1974 \$	1973 \$
Working Capital was Increased by:		
Profit for the period	—	556,000
Charge not affecting working capital		
— Depreciation	466,000	429,000
	<hr/>	<hr/>
	466,000	985,000
	<hr/>	<hr/>
Sale of shares	—	69,000
	<hr/>	<hr/>
	466,000	1,054,000
	<hr/>	<hr/>
Working Capital was Decreased by:		
Loss for the period	2,063,000	—
Increase (net) in fixed assets	584,000	400,000
Deferred Credit	46,000	—
Current portion of Long-Term debt	900,000	—
	<hr/>	<hr/>
	3,593,000	400,000
	<hr/>	<hr/>
(Decrease) Increase in Working Capital	(3,127,000)	654,000
Working Capital — Beginning of Period	1,718,000	2,842,000
	<hr/>	<hr/>
Working Capital — End of Period	(1,409,000)	3,496,000
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50 GERVAIS DRIVE, DON MILLS,
ONTARIO M3C 1Z3

Report to our Shareholders
for the Six Months ended

June 30, 1974

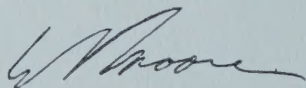
To Our Shareholders:

Net Sales, Rentals and Services for the six months ended June 30th, 1974 increased by 19.4% over the same period in 1973. Total revenues were \$7,445,000 compared to \$6,234,000 the previous year. During the first six months the Company incurred a loss of \$2,063,000 compared to a profit of \$306,000 for the six months ended June 30th, 1973. After including extraordinary items in 1973 the profit was \$556,000.

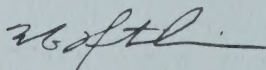
The loss reported for the six months period was anticipated by the Company and is a direct result of high manufacturing overheads and marketing costs, which must be carried in order to achieve the substantial increase in production and sales volumes forecasted for the latter half of this year.

We are pleased with our progress in expanding the North American direct marketing operations. Several KEY-EDIT 50 and 1000 Systems have been ordered and a number of these are already installed and in use by major corporations and governments. Our North American customers will generally lease their equipment. Arrangements to finance these leases are progressing satisfactorily.

In July of this year, the Canadian Government through its agency, the General Adjustment Assistance Board, and the Ontario Government, through the Ontario Development Corporation, agreed to jointly guarantee three million dollars of working capital. This requirement was forecasted in the Company's annual budget and the funds will be used to finance the increased factory production.



W.V. Moore,
Chairman



W.G. Hutchison,
President

Toronto
August, 1974

CONSOLIDATED COMPUTER INC. CONSOLIDATED STATEMENT OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 1974 (Unaudited)

	1974 \$	1973 \$
Net Sales, Rentals and Services	7,445,000	6,234,000
Cost of Sales and Services	6,464,000	3,551,000
	<u>981,000</u>	<u>2,683,000</u>
Expenses		
Marketing, administration and other	2,167,000	1,544,000
Research and development — net of government grants	254,000	515,000
Interest on long-term debt	159,000	68,000
Interest on short-term loans (net)	214,000	—
Special	250,000	—
	<u>3,044,000</u>	<u>2,127,000</u>
(Loss) Profit Before Income Taxes	(2,063,000)	556,000
Provision for Income Taxes	—	250,000
	<u>(2,063,000)</u>	<u>306,000</u>
(Loss) Profit for the Period Before Extraordinary Items	(2,063,000)	306,000
Extraordinary Items		
Gain on application of tax loss carried forward	—	250,000
	<u>(2,063,000)</u>	<u>556,000</u>
(Loss) Profit for the Period	(2,063,000)	556,000
Average number of Common and Special shares outstanding	3,823,000	3,590,579
(Loss) earnings per share		
Basic (loss) earnings per share		
— before extraordinary items	(54.0¢)	8.5¢
— after extraordinary items	(54.0¢)	15.5¢
Fully diluted earnings per share (note)		
— before extraordinary items	—	6.3¢
— after extraordinary items	—	11.4¢

Note: No dilution has been calculated for the six months ended June 30, 1974, as the effect would be to reduce the loss per share.